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Final

Tax Cuts to Make College and Lifelong Learning More Affordable;
Helping Students and Families Get Ready for College Early
August 16, 1997

We must make the thirteenth and fourteenth years of education -- at least two years of college -- just as universal in America by the 21st Century as a high school education is today, and we must open the doors to all Americans.

-- President Bill Clinton
State of the Union Address, February 4, 1997

Today, as students prepare to head back to school, President Clinton encouraged families to take advantage of the new higher education opportunities contained in the historic balanced budget legislation. He also urged students and their parents to accept responsibility for preparing for college early, by choosing tough courses beginning in students' middle school and junior high school years. To help families map out a bright future, the President released a new handbook on getting ready for college early, and a parents' guide to the new education tax cuts.

WHILE MORE STUDENTS ARE GOING TO COLLEGE, TOO MANY OTHERS MISS THE BENEFITS OF A POSTSECONDARY EDUCATION. In 1996, sixty-five percent of high school graduates were attending college the following fall-- an all-time high. Yet far too many of our young people still lack a college education or advanced training, limiting their ability to prosper in the 21st Century economy. College graduates are half as likely to be unemployed as high school graduates. Moreover, on average, a college graduate will earn over $500,000 more over the course of a lifetime than a high school graduate -- and this gap is widening. Someone with an associate's degree from a two year college earns more than a high school graduate as well.

THE NEW TAX CUTS SIGNED BY THE PRESIDENT WILL HELP MAKE COLLEGE MORE AFFORDABLE FOR STUDENTS AND FAMILIES. President Clinton's new Hope Scholarship makes the first two years of college universally available, providing students with a tax credit of up to $1,500 -- about the same as the average tuition at a local community college. Moreover, college juniors and seniors, graduate and professional students, and adults who want to go back to school will be eligible for a Lifetime Learning tax credit worth 20% of the first $5,000 of tuition and fees through the year 2002 (and 20% of the first $10,000 beginning in 2003). The new law also allows parents and grandparents to make penalty-free withdrawals from their IRAs to pay for higher education expenses, and enables them to open new Education IRAs where they can invest $500 per child every year to build up money, tax free, for college. In addition to the tax cuts, the balanced budget agreement also provides the largest Pell Grant increase in two decades, as sought by the President; Congress must fulfill this promise next month.

STUDENTS SHOULD BEGIN PREPARING FOR COLLEGE EARLY BY TAKING TOUGH COURSES IN MIDDLE SCHOOL AND HIGH SCHOOL. Students who take algebra and geometry by the end of eighth and ninth grades are much more likely to go on to college than students who don't; in a national study, only 26 percent of low-income students who did not take geometry went on to college, compared with 71 percent of those who did. Back to School is an ideal time for parents to talk with teachers, principals, and guidance counselors to make sure students sign up for a rigorous classes that will keep them on track for college. A new handbook, "Getting Ready for College Early," will help parents of students in middle school and junior high with choosing courses and other basics of college planning -- like where to find out how much college really costs and what resources are available to make college affordable. "Getting Ready for College Early," together with the supplement "A Summary of the Education Tax Cuts in the 1997 Balanced Budget Plan," is available free of charge from the U.S. Department of Education by calling 1-800-USA-LEARN.

Tax Cuts to Make College and Lifelong Learning More Affordable; Helping Students and Families Get Ready for College Early

August 16, 1997

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U.S. DEPARTMENT OF EDUCATION

INFORMATION RESOURCE CENTER

Telephone: 1-800-USA-LEARN or 202-401-2000

Fax Number: 202-401-0689
Flashfax: 202-205-3279

Our standards of customer service are:
We *will* treat everyone with professionalism and courtesy
We *will* provide accurate and dependable information to all
We *will* anticipate and respond to customer needs
We *will* respond to electronic and telephone messages within one working day
We *will* respond to written correspondence within seven working days

TO: Bill Kincaid

FROM: Kim Ross

FAX NUMBER: 456-5581

DATE: 8/26/97

COMMENTS: Attached please find the report ~~for~~ on the response to the President's Radio Address.

Sheet # 1 of 6

600 Independence Avenue, SW
Washington, DC 20202-0498

Information Resource Center

Customer Service Report

Examples of Education Excellence through Customer Service

DESIGNED ESPECIALLY FOR: Getting Ready for College Early Radio Address Kick-off
REPORTING PERIOD: August 16 - August 21, 1997

Service Description:

The Information Resource Center at the U.S. Department of Education began providing information services – responding to inquiries and fulfilling requests for materials – for Getting Ready for College Early, an initiative aimed at encouraging students to begin preparing for college as early as middle-school. The publication by the same name is now available from the Information Resource Center. Information and related materials are also available on the new education tax cuts. The new document, *A Families' Guide to the 1997 Education Tax Cuts*, is now available in print, by fax, and on the Internet.

Service Analysis for Reporting Period:

The President discussed the many benefits of the new education tax cuts as well as the importance of getting ready for college early in his Saturday Radio Address on August 16. He encouraged listeners to call 1-800-USA-LEARN to obtain a copy of *Getting Ready for College Early*. The Information Resource Center opened on Saturday for this announcement with 8 Information Specialists available to respond to inquiries between 10:00 am and 3:00 pm (when call volume declined).

The Radio Address was aired on radio stations across the country at 10:00 am (ET). It was then rebroadcast on C-SPAN at noon (ET) Saturday and on radio and TV at other times throughout the day. The *Associated Press* wire service wrote a short piece which was carried on Sunday by many local and national news media – print, radio, and television – including National Public Radio, the *New York Times*, the *Arkansas Democrat Gazette*, and even a Chinese newspaper. The ripple effect was significant with nearly all reports publicizing our toll free number.

On Saturday, callers were given an option to speak with a customer service agent or to record their name and address to receive the publications and many customers chose our automated services. Those who spoke to a customer service agent were extremely surprised that a federal agency would be open on the weekend.

Statistical Reporting:

Total Call Volume*			
Sat. 8/10/96 **	Sat. 8/16/97	% Increase	Sat. 4/26/97***
138	862 (8/16) 1,068 (8/17) 1,930	525%	156

* All but a small number of calls on Saturday and Sunday were related to the President's Address although not all customers wanted materials (see below).

** Normal weekend call volume for back to school season.

*** The President publicized the toll free number once before on the Saturday Radio Address for the America Reads Challenge in April of this year.

- Total Estimated Inquiries regarding getting ready for college early and the tax cuts (8/16 - 8/21): 1,314

- Total orders placed (8/16-21): 1,019
(Indicates number of households)

- Total number of products disseminated (8/16-21): 1,151
(May be more than one per household)

- Peak times on Saturday: 10:00 am, 12:00 noon, 6:30 pm and 11:00 pm.

- Sunday's call pattern did not peak like Saturday but remained steady between 10:30 am and 2:30 pm. This is a typical call pattern from print publicity or second day responses.

Key Elements to Quality Customer Service:

On Friday, August 15, staff from the Post Secondary Education Policy Office at the U.S. Department of Education along with Jill Riemer of the Secretary's Office provided a briefing on the new education tax cuts and the Friday taping session of the President's Radio Address. This was a dynamic discussion which explored the many issues regarding how to explain the benefits of the tax cuts to the public one-on-one. This effort on the part of our resident experts was invaluable to our Information Specialists over the weekend and during this week and ensured quality information services to the public.

Feedback from the Public & Observations:

- The President touched a responsive audience when he mentioned grandparents. A large number of our customers over the weekend were grandparents. This may be a key audience to continue to target for both the Getting Ready Early initiative and the education tax cuts.

- While there were callers with middle school aged children or grandchildren or students, many were interested for students who are going in to college now or will in the next two years. Based on this response, it may take something more to motivate families and schools to think about preparing for college that early. We did receive a few calls from middle school counselors which we know is a key target audience for this initiative.

- A gentleman from Indiana said that he listens to the President's Radio Address every Saturday and this was one of the "best, clearest, and most useful" he has heard. He feels that the new education tax cuts are one of the most significant things the President has done.

- A man from Herndon, Virginia called after hearing the President's Address and a follow-up discussion on WAMU-Radio. He wanted all of the information he could get and after placing an order for the printed materials available, our Information Specialist agreed to print and mail additional information available on the Internet since the customer did not have access.

- A caller from Illinois proclaimed that it was about time someone thought to help middle-class families pay for college. They have two children, a Senior in High School and a Junior in College. He felt that they simply would not be able to afford college if not for the new Hope Scholarship and Lifetime Learning Credit.

- A woman from Michigan called to get information because her child is a freshman in college. She thought the Hope Scholarship was good news!

- A woman from Arizona called to get information for her niece who is a good student. Unfortunately, her parents feel that they cannot afford to send her to college because of the cost.

- A teacher from Texas called who is planning to put *Getting Ready for College Early* in the school office for the students to come by and look at. He believes that elementary school is not too early to plan for college and thinks the book sounds great.

- A grandfather from New York called because he wants to take advantage of the IRA tax relief and the tax credit for his grandchildren.

- A caller from New York was thrilled with the fact that there is something available for middle school students to get them "on track." He feels that this age group is ignored and is glad to see that the President and Department of Education have not forgotten about them.

- An administrator from a charter school in D.C. called requesting copies of *Getting Ready for College Early* for the parents in the school. She wants all of her Junior High students to have the information they need to get a head start on college.

For further assistance on this report, please contact:

Kim Ross, Director
Information Resource Center
202-401-3092

POTUS Speeches/ Getting Ready for College

THE WHITE HOUSE

Office of the Press Secretary

Embargoed for Release
Until 10:06 A.M.
Saturday, August 16, 1997

RADIO ADDRESS BY THE PRESIDENT
TO THE NATION

THE PRESIDENT: Good morning. As families across America start to prepare for the new school year, I'd like to talk about how students and parents can make the most of the historic higher education opportunities in our new balanced budget.

The balanced budget I signed into law last week meets the nation's obligation to offer opportunity to every American who's willing to work for it. It opens the doors to college to a new generation, with the largest investment in higher education since the G.I. Bill 50 years ago. We have achieved a truly remarkable goal. For the first time ever, all children in America who study hard will have the opportunity to go on to college. Let me tell you just a few of the ways our budget will make that possible.

First, the budget offers HOPE Scholarships -- a tax credit of up to $1,500, as much as the average community college tuition, that will help to make the first two years of college as universal as four years of high school are today.

Second, the budget creates a new Lifetime Learning Credit targeted at college juniors and seniors, graduate students and adults who want to enhance their skills. Under this initiative, for example, a homemaker who wants to return to school full time to become a teacher can get a 20 percent tax credit on the first $5,000 of her tuition bill. By the year 2003 that credit will grow even larger, applying to up to $10,000 in tuition and fees.

Third, beginning this January, parents and grandparents can withdraw money from their Individual Retirement Accounts, without any penalty, to pay for higher education expenses. They can also open up brand new education IRAs which will allow them to invest $500 per child every year to build up money, tax-free, for college.

Fourth, our budget agreement provides the largest increase in Pell Grants in two decades, and gives about 350,000 more students the scholarships they deserve. These new initiatives will greatly expand educational opportunity for American families. But there is another crucial part of the college equation, and that is responsibility -- the responsibility of every student and every parent to prepare for the future.

As Hillary and I have learned, parents can't wait to plan for college until their children are in their junior or senior years of high school. In fact, education experts say it's essential that parents sit down with their kids as early as the 6th grade to start charting a course toward college. In the crucial middle school years, parents must encourage their children to take challenging classes. Research shows, for example, that students who take algebra and geometry by the end of the 9th grade are much more likely to go on to college than those who don't.

In the new economy of the 21st century, what our children earn will depend more than ever on what they can learn. Almost 90 percent of the new jobs being created today require more than a high school level of literacy and math skills. Yet, more than half of the people entering the workforce are not prepared with these skills. So we still have a lot of work to do. Throughout the fall, my administration will work very hard to make sure that parents and students learn how to take advantage of the new higher education opportunities they now have.

As a first step, Education Secretary Dick Riley and his staff have prepared an extremely useful guide for parents of children in middle school, junior high and high school. It's called, "Getting Ready for College Early." You an get a free copy by calling the Department of Education at 1-800-USA-LEARN, 1-800-USA-LEARN.

From the day I took office I have been working on a simple idea: when my child is my age I want our country to be a place where every person who works hard has a chance to live out his or her God-given abilities and dreams. With the education opportunities contained in our historic balanced budget, we have taken a large step toward that goal.

Thank you for listening.

END

Updated final
9/97

FAMILIES' GUIDE TO THE 1997 TAX CUTS FOR EDUCATION

Many new tax benefits for adults who want to return to school and for parents who are sending or planning to send their children to college will be available due to the balanced budget signed into law in August, 1997. These tax cuts effectively make the first two years of college universally available, and they will give many more working Americans the financial means to go back to school if they want to choose a new career or upgrade their skills. When fully phased in, 12.9 million students are expected to benefit -- 5.8 million under the "HOPE Scholarship" tax credit, and 7.1 million under the Lifetime Learning tax credit.

- **Up to a $1,500 "HOPE Scholarship" tax credit for students starting college**

The "HOPE Scholarship" tax credit helps make the first two years of college or vocational school universally available. Students will receive a 100% tax credit for the first $1,000 of tuition and required fees and a 50% credit on the second $1,000. This credit is available for tuition and required fees less grants, scholarships, and other tax-free educational assistance and will be available for payments made after December 31, 1997 for college enrollment after that date. A high school senior going into his or her freshman year of college in September, 1998, for example, could be eligible for as much as a $1,500 HOPE tax credit.

This credit is phased out for joint filers who have between $80,000 and $100,000 of adjusted gross income, and for single filers who have between $40,000 and $50,000 of adjusted gross income. The credit can be claimed in two years for students who are in their first two years of college or vocational school and who are enrolled on at least a half-time basis in a degree or certificate program for any portion of the year. The taxpayer can claim a credit for his own tuition expense or for the expenses of his or her spouse or dependent children.

A married couple with an adjusted gross income of $60,000 has two children in college at least half-time, one at a community college with a tuition of $2,000 and the other a sophomore at a private college with tuition of $11,000. Using the HOPE Scholarship tax credit, this couple would have their taxes cut by as much as $3,000.

- **The Lifetime Learning tax credit**

This tax credit is targeted to adults who want to go back to school, change careers, or take a course or two to upgrade their skills and to college juniors, seniors, graduate and professional degree students. A family will receive a 20% tax credit for the first $5,000 of tuition and required fees paid each year through 2002, and for the first $10,000 thereafter. Just like the "HOPE Scholarship" tax credit, the Lifetime Learning tax credit is available for tuition and required fees less grants, scholarships, and other tax-free educational assistance; families may claim the credit for amounts paid on or after July 1, 1998 for college or vocational school enrollment beginning on or after July 1, 1998. The maximum credit is determined on a per-taxpayer (family) basis, regardless of the number of post-secondary students in the family, and is phased out at the same income levels as the "HOPE Scholarship" tax credit. Families will be able to claim the Lifetime Learning tax credit for some members of their family and the "HOPE Scholarship" tax credit for others who qualify in the same year.

*A **homemaker**, whose family has an adjusted gross income of $70,000, wants to attend a graduate teacher training program at a public university ($3,500 tuition) after being out of college for 20 years. Using the Lifetime Learning credit, her family's income taxes would be cut by as much as $700.*

*A married couple has an adjusted gross income of $32,000. The husband who is working as an **automobile mechanic** decides to go back to a local technical college to take some computer classes in the hope of getting a better job. He will pay a tuition of $1,200. Using the Lifetime Learning credit, this family would have their taxes cut by as much as $240.*

- **Parents and grandparents can create education IRAs and make penalty-free withdrawals from other IRAs**

Beginning January 1, 1998, taxpayers may withdraw funds from an IRA, without penalty, for their own higher education expenses or those of their spouse, child, or even grandchild. In addition, for each child under age 18, families may deposit $500 per year into an Education IRA in the child's name. Earnings in the Education IRA will accumulate tax-free and no taxes will be due upon withdrawal if the money is used to pay for post-secondary tuition and required fees (less grants, scholarships, and other tax-free educational assistance), books, equipment, and eligible room and board expenses. Once the child reaches age 30, his or her Education IRA must be closed or transferred to a younger member of the family.

A taxpayer's ability to contribute to an Education IRA is phased out when the taxpayer is a joint filer with an adjusted gross income between $150,000 and $160,000, or a single filer with an adjusted gross income between $95,000 and $110,000. There are a few restrictions. A student, for example, who receives the tax-free distributions from an Education IRA may not, in the same year, benefit from the "HOPE Scholarship" or Lifetime Learning tax credits.

- **Greater flexibility for families saving in qualified State tuition plans**

When a family uses a qualified State-sponsored tuition plan to save for college, no tax is due in connection with the plan until the time of withdrawal as a result of a law passed last year. This year's change in law allows families to use these plans to save not only for tuition but also for certain room and board expenses for students who attend on at least a half-time basis. Tuition and required fees paid with withdrawals from a qualified State tuition plan are eligible for the "HOPE Scholarship" tax credit and Lifetime Learning tax credit. These benefits are available on January 1, 1998.

- **Paying back student loans at a lower cost**

For many college graduates, one of their first financial obligations is to repay their student loans, which average about $13,500 per student. The new student loan interest deduction will reduce the burden of the repayment obligation by allowing students or their families to take a tax deduction for interest paid in the first 60 months of repayment on student loans. The deduction is available even if an individual does not itemize other deductions.

The maximum deduction is $1,000 in 1998, $1,500 in 1999, $2,000 in 2000, and $2,500 in 2001 and beyond. It is phased out for joint filers with adjusted gross income between $60,000 and $75,000, and single filers with adjusted gross income between $40,000 and $55,000. The deduction is available for all educational loans, including loans made to students, parents, guaranteed student loans, and loans from private lenders, made before August of 1997 when the new student loan interest deduction became law but only to the extent that the loan is within the first 60 months of repayment.

A senior graduates from college and finds a job paying $25,000 a year (and has no other income). The student has a total student debt of $12,000 and is in the 15% federal income tax bracket. The monthly payment for this student's loans is $148. The total amounts of payments for the first year is $1,776, over half of which is interest ($960) which can be deducted under the new law. The student's maximum tax benefit can be calculated by multiplying $960 by 15%: for a tax savings of $144.

- **Going to school while you work**

The new tax law extends Section 127 of the tax code for three years. Section 127 allows workers to exclude up to $5,250 of employer-provided education benefits from their income. The assistance must be for undergraduate courses beginning prior to June 1, 2000. This provision will enable many Americans to pursue their goals of lifelong learning.

- **Community service loan forgiveness**

This provision excludes from income student loan amounts forgiven by non-profit, tax-exempt charitable or educational institutions for borrowers who take community-service jobs that address unmet community needs. For example, a recent graduate who takes a low-paying job in a rural school will not owe any additional income tax if in recognition of this service her college or another charity forgives a loan it made to her to help pay her college costs. This provision applies to loans forgiven after August 5, 1997.

The balanced budget bills signed by President Clinton include many other provisions that will help all of the young people in America grow and learn and help families navigate through these changing times. The new tax law includes a provision to encourage computer donations to schools. The balanced budget agreement protects and advances President Clinton's top domestic priorities, such as expansion of Head Start, and an increase in the maximum Pell grant for college to $3,000. All of these benefits and tax cuts have one goal: to give parents the support they need to give their children a first class education and hope for the future.

For information on additional student aid programs that will help meet the costs of college and lifelong learning for you, your children and grandchildren, please call 1-800-4FED-AID. For information on the importance of getting ready for college early, especially middle school students, call 1-800-USA-LEARN.

(This is an informational guide produced by the Department of Education; for detailed tax information and instruction please consult your IRS tax forms and publications to see if you qualify.)

Final

A SUMMARY OF THE EDUCATION TAX CUTS IN THE 1997 BALANCED BUDGET PLAN

Many new tax benefits for adults who want to return to school and for parents who are sending or planning to send their children to college will be available due to the balanced budget signed into law in August, 1997. These changes are the largest investment in higher education since the passage of the G.I. Bill in 1945.

These tax cuts essentially make the first two years of college universally available, and they will give many more working Americans the financial means to go back to school if they want to choose a new career or upgrade their skills. When fully phased in, 12.9 million students are expected to benefit -- 5.8 million under the HOPE Scholarship tax credit, and 7.1 million claiming the Lifetime Learning tax credit.

- **Up to a $1,500 tax credit for students starting college**

The HOPE Scholarship tax credit helps make the first two years of college universally available. Students will receive a tax credit of 100% on the first $1,000 of tuition and required fees and 50% on the second $1,000. This tax credit will be available for payments after December 31, 1997 for college enrollment after that date. This credit is available for tuition and required fees less grants, scholarships, and other tax-free educational assistance. A high school senior going into his or her freshman year of college in September, 1998, for example, could be eligible for as much as a $1,500 tax credit.

> *A married couple with an adjusted gross income of $60,000 and two children in college at least half-time, one at a community college with a tuition of $2,000 and the other a sophomore at a private college with $11,000 tuition, would have their taxes cut by as much as $3,000.*

This credit is phased out for joint filers between $80,000 and $100,000 of adjusted gross income, and for single filers between $40,000 and $50,000. The credit can be claimed in two taxable years for students who are in their first two years of college or vocational school and who are enrolled on at least a half-time basis for any portion of the year.

- ## The Lifetime Learning tax credit

This tax credit is targeted to adults who want to go back to school to upgrade their skills and to college juniors, seniors, graduate and professional students, mid-career changers and those who want to take a course or two. A family will receive a 20% tax credit for the first $5,000 of tuition and required fees paid each year through 2002, and for the first $10,000 thereafter. The Lifetime Learning tax credit is available for tuition and required fees less grants, scholarships, and other tax-free educational assistance, just like the HOPE tax credit, for amounts paid on or after July 1, 1998 for post-secondary enrollment beginning on or after July 1, 1998. The credit is available on a per-taxpayer (family) basis, and is phased out at the same income levels as the HOPE Scholarship tax credit throughout their lifetime. Families will be able to claim the Lifetime Learning tax credit for some members of their family and the HOPE Scholarship tax credit for others who qualify.

> ***Returning to school full-time to become a teacher***: A homemaker, whose family has an adjusted gross income of $70,000, wants to attend a graduate teacher training program at a public university after being out of college for 20 years ($3,500 tuition). Her family's income taxes would be cut by as much as $700.

> ***Automobile Mechanic***: A married man, whose wife works part-time, and who has two grown children and an adjusted gross income of $32,000, is going back to a local technical college **to take some computer classes** with a tuition of $1,200. This family would have their taxes cut by as much as $240.

- ## Parents and grandparents can create education IRAs and make penalty-free withdrawals from other IRAs

Beginning January 1, 1998, taxpayers may withdraw funds from an IRA, without penalty, for the higher education expenses of the taxpayer, a spouse, a child, and even a grandchild. For each child under age 18, families may also deposit $500 per year into an Education IRA in the child's name. Earnings will accumulate tax-free and no taxes will be due upon withdrawal for post-secondary expenses for tuition and required fees (less grants, scholarships, and other tax-free educational assistance), books, equipment, and eligible room and board if used before the age of 30.

A taxpayer's ability to contribute to an Education IRA is phased out when the taxpayer has adjusted gross income between $150,000 and $160,000 for joint filers, and for single filers between $95,000 and $110,000. There are a few restrictions. A taxpayer, for example, who uses the tax-free distributions from an Education IRA may not, in the same year, benefit from the HOPE Scholarship or Lifetime Learning Credit.

- **Expanded benefits for qualified State tuition plans**

This provision allows qualified State-sponsored tuition plans -- the earnings from which are not taxed until the time of withdrawal as a result of a law passed last year -- to include savings for certain room and board expenses for students who attend on at least a half-time basis. Withdrawals are eligible for the HOPE Scholarship tax credit and Lifetime Learning tax credit.

- **Paying back student loans at less cost**

For many college graduates, one of their first financial obligations is to pay off their student loans, which average about $13,500. This provision will reduce the burden of this obligation by allowing students or their families to take a tax deduction for interest paid in the first 60 months of repayment on student loans.

> *A senior graduates from college and finds a job paying $25,000 a year (an has no other income). The student has a total student debt of $13,500 and is in the 15% federal income tax bracket. The monthly payment for this student's loans is $166. The total amounts of payments for the year is $1,992, over half of which is interest --$1,080 --which can be deducted under the new law. The student's maximum tax benefit will can be calculated by multiplying $1,080 by 15%: for a savings of $162 (for years after 1998).*

The maximum deduction is $1,000 in 1998, $1,500 in 1999, $2,000 in 2000, and $2,500 in 2001 and beyond. It is phased out for joint filers with adjusted gross income between $60,000 and $75,000, and single filers between $40,000 and $55,000. The deduction is also available for all educational loans, such as student, parent, federal and nonfederal loans, made before August of 1997 when the tax cuts became law but only to the extent that the loan is within the first 60 months of repayment.

- **Going to school while you work**

The tax relief bill extends Section 127 of the tax code for three years for undergraduate education (for courses beginning prior to June 1, 2000). This provision allows workers to exclude up to $5,250 of employer-provided education benefits from their income. This provision will enable many Americans to pursue their goals of lifelong learning.

- **Community service loan forgiveness**

This provision excludes from income student loan amounts forgiven by non-profit, tax-exempt charitable or educational institutions for borrowers who take community-service jobs that address unmet needs.

The balanced budget bills signed by President Clinton include many other provisions that will help all of the young people in America to grow and learn and help families navigate through these changing times. For example, the law provides $24 billion to provide health insurance to as many as 5 million more children. The tax cut bill includes a provision to encourage computer donations to schools. The balanced budget agreement protects and advances President Clinton's top domestic priorities, such as an expansion of Head Start, and an increase in the maximum Pell grant for college to $3,000. All of these benefits and tax cuts have one goal: to give parents the support they need to give their children a first class education and hope for the future.

Sincerely,

Richard W. Riley
U.S. Secretary of Education

For additional information on meeting the costs of college and lifelong learning for you, your children and grandchildren please call: 1-800-USA-LEARN.

DETAILS ON THE EDUCATION ITEMS IN THE TAX BILL

THE HOPE SCHOLARSHIP AND LIFETIME LEARNING CREDIT: From the beginning, promoting expanded educational opportunity has been the centerpiece of President Clinton's budget and his middle class tax cut proposal. The President has long understood that the economy is changing and that people must have the opportunity to enhance their skills throughout their working lives. This is why the President insisted that, in addition to the HOPE Scholarship for the first two years of college, the tax bill must include a tax cut for lifetime learning. The final tax cut bill enacts the President's proposals. When fully phased in, 12.9 million students are expected to benefit -- 5.8 million claiming the HOPE Scholarship, and 7.1 million claiming the Lifetime Learning Credit.

$1,500 HOPE Scholarship to make the first two years of college universally available. For students in the first two years of college (or other eligible post-secondary training), taxpayers will be eligible for a tax credit equal to 100% on the first $1,000 of tuition and fees and 50% on the second $1,000 (the amounts are indexed for inflation after 2001). The credit will be available on a per-student basis for net tuition and fees (less grant aid) paid for college enrollment after December 31, 1997. The credit is phased out for joint filers between $80,000 and $100,000 of income, and for single filers between $40,000 and $50,000 (indexed after 2001). The credit can be claimed in two taxable years (but not beyond the year when the student completes the first two years of college) with respect to any individual enrolled on at least a half-time basis for any portion of the year.

Lifetime Learning Credit for College Juniors, Seniors, Graduate Students and working Americans pursuing lifelong learning to upgrade their skills. For those beyond the first two years of college, or taking classes part-time to improve or upgrade their job skills, the family will receive a 20% tax credit for first $5,000 of tuition and fees through 2002, and for the first $10,000 thereafter. The credit is available for net tuition and fees (less grant aid) paid for post-secondary enrollment after June 30, 1998. The credit is available on a per-taxpayer (family) basis, and is phased out at the same income levels as the HOPE Scholarship.

OTHER TAX CUTS FOR HIGHER EDUCATION

Education Savings Accounts. For each child under age 18, families may deposit $500 per year into an Education IRA. Earnings would accumulate tax-free and no taxes will be due upon withdrawal for net post-secondary expenses for tuition, fees, books, equipment, and room and board (generally limited to the posted room and board charges of the institution). The Education IRA is phased out for families with incomes between $150,000 and $160,000, and for single filers between $95,000 and $110,000. A taxpayer who uses tax-free distributions from an Education IRA may not, in the same year, benefit from the HOPE Scholarship or Lifetime Learning Credit.

Student Loan Interest Deduction. Allows an above-the-line deduction (the taxpayer does not need to itemize in order to benefit), for interest paid in the first 60 months of repayment on private or government-backed loans post-secondary education and training expenses. The maximum deduction is $1,000 in 1998, $1,500 in 1999, $2,000 in 2000 and $2,500 in 2001 and beyond. The deduction is phased out for joint filers with income between $60,000 and $75,000, and single filers with income between $40,000 and $55,000 (indexed after 2002). The deduction is available for loans made before or after enactment of this provision, but only to the extent that the loan is within the first 60 months of repayment. The loan amount eligible for the deduction is limited to net pos t-secondary expenses for tuition, fees, books, equipment, room, and board (limited to the "cost of attendance" currently used for Federal student aid programs).

IRA Withdrawals. Taxpayers may withdraw funds from an IRA without penalty, for the higher education expenses of the taxpayer, spouse, child or grandchild. The amount that can be withdrawn without penalty is limited to net post-secondary expenses for tuition, fees, books, equipment, and room and board (generally limited to the posted room and board charges of the institution).

Employer-Provided Education Benefits. Extends Section 127 of the tax code for under-graduates for three years (for courses beginning prior to June 1, 2000). This provision allows workers to exclude $5,250 of employer-provided education benefits from their taxable income.

Community Service Loan Forgiveness. Excludes from taxable income loan amounts forgiven for borrowers who take community-service jobs addressing unmet needs. (Community service loan forgiveness programs run by government agencies are already exempt; this provision would extend that to nonprofit tax-exempt charitable or educational institutions.)

Expand benefits for pre-paid tuition plans. Allows State-sponsored pre-paid tuition plans -- the earnings from which not taxed until the time of withdrawal as a result of last year's tax bill -- to include room and board expenses for students who attend on at least a half-time basis. Withdrawals are eligible for the HOPE Scholarship and Lifetime Learning tax credits.

Repeal Cap on Tax Exempt Bond Issuance by Colleges and Universities. Repeals the $150 million bond cap that affects private higher education institutions and certain other charitable institutions. The repeal applies to tax-exempt bonds issued by these institutions to finance new capital expenditures.

TAX PROVISIONS BENEFITING ELEMENTARY AND SECONDARY EDUCATION

Encourage Computer Donations to Schools. Allows corporations an enhanced charitable contribution deduction for the donation of up-to-date computer hardware or software to public and private K-12 schools. The equipment or programs cannot be more than two years old. The deduction is allowed in tax years 1998 and 1999.

Bonds for Public School-Business Partnerships. Allows states to use Federal tax credits as payments in lieu of interest on bonds for certain expenses -- including facilities renovation -- for school "academies" expected to serve low-income students in empowerment zones and empowerment communities. The academies must have a high-skills curriculum developed in consultation with businesses that have committed assistance (in cash or in kind, on a present value basis) equal to at least 10% of the bond proceeds. The bonds are limited to $400 million in 1998 and $400 million in 1999. They are allocated to States on the basis of population in poverty.

Reduce Costs of School Construction Bonds. School districts invest the proceeds from school construction bonds until the funds are needed to pay construction and renovation expenses. When tax-exempt bonds are used, there are strict limits on the amount of interest that the district can earn, requiring them to pay back certain amounts to the IRS. The tax bill would relax those restrictions, allowing school districts to keep more of the interest income and thereby reducing their cost of borrowing.

News United States Department of Labor
Bureau of Labor Statistics Washington, D.C. 20212

Internet address: http://stats.bls.gov:80/newsrels.htm
Technical information: (202) 606-6378 USDL 97-240

For release: 10:00 A.M. EDT
Media contact: 606-5902 Wednesday, July 23, 1997

COLLEGE ENROLLMENT AND WORK ACTIVITY OF 1996 HIGH SCHOOL GRADUATES

Sixty-five percent of 1996 high school graduates were attending colleges or universities by the fall, according to data released today by the U.S. Department of Labor's Bureau of Labor Statistics. This rate was an all-time high. From 1992 to 1995, the enrollment rate was about 62 percent.

This information is from the Current Population Survey, a monthly nationwide survey of about 50,000 households, conducted for BLS by the Bureau of the Census. Each October, the survey includes special questions on the school enrollment and high school graduation status of persons 16 to 24 years of age.

Recent High School Graduates and Dropouts

Of a total of 2.7 million youth who graduated from high school in 1996, about 1.7 million were attending college in October. Young women were more likely than young men to enter colleges or universities–69.7 percent compared with 60.1 percent. A higher proportion of the white graduates were enrolled in college the following fall (65.8 percent) than were blacks (55.3 percent) and Hispanics (50.7 percent). (See table 1.)

Nearly two-thirds of the 1996 high school graduates who were freshmen in college were enrolled in 4-year institutions. About two-fifths of them were combining school with some labor force activity. In contrast, a much higher proportion (about three-fifths) of the youth enrolled in 2-year colleges were in the labor force.

The labor force participation rate was 78.1 percent among the high school graduates who did not enroll in college in the fall of 1996. Despite improvements in the economy and employment since mid-1992, the unemployment rate for this group was 24.4 percent in October 1996.

Between October of 1995 and October of 1996, roughly one-half million young people dropped out of high school. Of these, only 58.4 percent were in the labor force, and their unemployment rate was 27.6 percent. Among high school dropouts, men were more likely than women to be participating in the labor force (74.0 versus 43.6 percent).

Youth Enrolled in School

In October 1996, a total of 17.4 million youth aged 16 to 24 were either enrolled in college (9.0 million) or high school and below (8.4 million). Nearly 85 percent of the college students were enrolled full time, just over half of whom participated in the labor force. In contrast, nearly 90 percent of the part-time college students participated in the labor force. The unemployment rate for full-time college students was 7.4 percent, somewhat higher than the 4.1-percent rate for part-time college students.

Among high school students, 41.4 percent were engaged in some labor force activity in October, and their unemployment rate was 15.6 percent. Unemployment rates for black (33.5 percent) and Hispanic (21.3 percent) high school students continued to be higher than for whites (12.8 percent). (See table 2.)

Out-of-School Youth

A total of 15.1 million youth aged 16 to 24 were not enrolled in school in October 1996, and slightly more than 80 percent of them were in the labor force. Among those not enrolled in school, men were more likely than women to be in the labor force. Blacks and Hispanics had lower labor force participation rates and higher unemployment rates than whites.

Higher levels of education generally correspond to lower unemployment rates. Both men and women who had graduated from college had the lowest rates—5.2 and 2.9 percent, respectively. In contrast, those with less than a high school diploma experienced the highest unemployment rates—21.7 percent for men and 28.7 percent for women.

Table 1. Labor force status of 1996 high school graduates and 1995-96 high school dropouts 16 to 24 years old by school enrollment, sex, race, and Hispanic origin, October 1996

(Numbers in thousands)

Characteristic	Civilian noninstitutional population	Civilian labor force						Not in labor force
		Total	Percent of population	Employed		Unemployed		
				Total	Percent of population	Number	Percent of labor force	
Total, 1996 high school graduates	2,660	1,528	57.4	1,225	46.1	303	19.8	1,132
Men	1,297	771	59.5	605	46.6	167	21.6	526
Women	1,363	756	55.5	620	45.5	136	18.0	606
White	2,092	1,253	59.9	1,047	50.0	206	16.5	839
Black	416	231	55.6	150	35.9	82	35.4	185
Hispanic origin	227	138	60.6	100	44.2	37	27.1	89
Enrolled in college	1,729	801	46.3	676	39.1	126	15.7	928
Enrolled in 2-year college	615	379	61.7	310	50.4	69	18.3	235
Enrolled in 4-year college	1,115	422	37.9	366	32.8	57	13.4	692
Full-time students	1,589	681	42.8	562	35.4	119	17.5	908
Part-time students	140	120	86.1	113	81.2	7	5.8	19
Men	779	348	44.7	286	36.7	63	18.0	431
Women	950	453	47.7	390	41.0	63	14.0	497
White	1,377	679	49.4	584	42.4	96	14.1	697
Black	230	94	40.9	74	32.0	21	21.8	136
Hispanic origin	115	66	57.4	55	47.3	12	([1])	49
Not enrolled in college	931	726	78.1	549	59.0	177	24.4	204
Men	518	423	81.7	319	61.6	104	24.6	95
Women	413	303	73.5	231	55.9	73	23.9	109
White	716	574	80.2	463	64.7	111	19.3	142
Black	186	137	73.8	76	40.8	61	44.8	49
Hispanic origin	112	71	63.9	46	41.1	26	([1])	40
Total, 1995-96 high school dropouts[2]	496	289	58.4	210	42.3	80	27.6	206
Men	241	178	74.0	123	51.0	56	31.1	63
Women	255	111	43.6	87	34.1	24	21.8	144
White	365	238	65.1	178	48.6	60	25.3	127
Black	111	40	35.7	23	20.7	17	([1])	71
Hispanic origin	105	71	67.7	57	54.5	14	([1])	34

[1] Data not shown where base is less than 75,000.
[2] Data refer to persons who dropped out of school between October 1995 and October 1996.

NOTE: Detail for the above race and Hispanic-origin groups will not sum to totals because data for the "other races" group are not presented and Hispanics are included in both the white and black population groups. Because of rounding, sum of individual items may not equal totals.

Table 2. Labor force status of persons 16 to 24 years old by school enrollment, educational attainment, sex, race, and Hispanic origin, October 1996

(Numbers in thousands)

Characteristic	Civilian noninstitutional population	Civilian labor force						Not in labor force
		Total	Percent of population	Employed		Unemployed		
				Total	Percent of population	Number	Percent of labor force	
Total, 16 to 24 years	32,452	20,989	64.7	18,613	57.4	2,376	11.3	11,463
Enrolled in school	17,381	8,749	50.3	7,856	45.2	893	10.2	8,632
Enrolled in high school[1]	8,389	3,475	41.4	2,933	35.0	543	15.6	4,913
Men	4,487	1,834	40.9	1,526	34.0	308	16.8	2,653
Women	3,901	1,641	42.1	1,407	36.1	234	14.3	2,260
White	6,543	2,955	45.2	2,577	39.4	378	12.8	3,588
Black	1,427	382	26.8	254	17.8	128	33.5	1,045
Hispanic origin	1,122	332	29.6	261	23.3	71	21.3	790
Enrolled in college	8,992	5,273	58.6	4,923	54.7	351	6.6	3,718
Enrolled in 2-year college	2,413	1,720	71.3	1,580	65.5	140	8.2	692
Enrolled in 4-year college	6,579	3,553	54.0	3,343	50.8	210	5.9	3,026
Full-time students	7,581	4,026	53.1	3,726	49.2	299	7.4	3,555
Part-time students	1,411	1,248	88.4	1,197	84.8	51	4.1	164
Men	4,279	2,412	56.4	2,254	52.7	158	6.6	1,867
Women	4,713	2,861	60.7	2,669	56.6	192	6.7	1,852
White	7,280	4,532	62.2	4,269	58.6	263	5.8	2,748
Black	1,026	454	44.3	398	38.8	56	12.4	571
Hispanic origin	725	459	63.3	413	56.9	46	10.1	266
Not enrolled in school	15,071	12,241	81.2	10,757	71.4	1,483	12.1	2,831
16 to 19 years	3,398	2,439	71.8	1,906	56.1	533	21.8	960
20 to 24 years	11,673	9,802	84.0	8,851	75.8	951	9.7	1,871
Men	7,530	6,776	90.0	5,978	79.4	799	11.8	754
Less than a high school diploma	1,854	1,490	80.4	1,167	63.0	323	21.7	364
High school graduates, no college	3,409	3,115	91.4	2,750	80.7	365	11.7	294
Less than a bachelor's degree	1,605	1,525	95.0	1,447	90.2	77	5.1	80
College graduates	663	647	97.6	613	92.5	34	5.2	16
Women	7,541	5,464	72.5	4,780	63.4	684	12.5	2,077
Less than a high school diploma	1,757	761	43.3	542	30.9	219	28.7	996
High school graduates, no college	3,248	2,459	75.7	2,127	65.5	332	13.5	789
Less than a bachelor's degree	1,712	1,467	85.7	1,357	79.3	111	7.5	244
College graduates	824	776	94.2	754	91.4	23	2.9	48
White	11,971	9,934	83.0	8,986	75.1	948	9.5	2,036
Black	2,435	1,804	74.1	1,321	54.3	483	26.8	631
Hispanic origin	2,634	1,916	72.8	1,641	62.3	275	14.4	717

[1] Includes a small number of persons enrolled in grades below high school

NOTE: Detail for the above race and Hispanic-origin groups will not sum to totals because data for the "other races" group are not presented and Hispanics are included in both the white and black population groups. Because of rounding, sum of individual items may not equal totals.

Document No. ______

WHITE HOUSE STAFFING MEMORANDUM

DATE: 8/14 ACTION/CONCURRENCE/COMMENT DUE BY: 8/15 9:00 am

SUBJECT: Radio address

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	✓	☐	McCURRY	☐	✓
BOWLES	✓	☐	McGINTY	☐	☐
McLARTY	☐	☐	NASH	☐	☐
PODESTA	✓	☐	RADD	☐	☐
MATHEWS	✓	☐	REED	✓	☐
RAINES	✓	☐	RUFF	☐	☐
BLUMENTHAL	✓	☐	SMITH	☐	☐
BERGER	☐	☐	SOSNIK	✓	☐
ECHAVESTE	☐	☐	SPERLING	✓	☐
EMANUEL	✓	☐	STREETT	☐	☐
GIBBONS	☐	☐	TARULLO	☐	☐
HILLEY	☐	☐	VERVEER	☐	☐
IBARRA	☐	☐	WALDMAN	☐	☐
KLAIN	☐	☐	YELLEN	☐	☐
LEWIS	✓	☐	BEGALA	✓	☐
LINDSEY	☐	☐	215R Cohen	✓	☐
MARSHALL	☐	☐	Edwards	✓	☐
				☐	☐

REMARKS:

Comments to Lowell Weiss

RESPONSE:

Staff Secretary
Ext. 6-2702

Draft 8/14 7:20pm

PRESIDENT WILLIAM J. CLINTON
RADIO ADDRESS ON HIGHER-EDUCATION OPPORTUNITIES
AUGUST 15, 1997

Good morning. As families across America start to prepare for the new school year, I'd like to talk about how students and parents can make the most of the historic higher education opportunities in our new balanced budget.

The balanced budget I signed into law last week opens the doors to college to a new generation, with the largest investment in higher education since the G.I. Bill 50 years ago. For the first time ever, all children in America who study hard will have the opportunity realize the dream of going to college. Let me tell you just a few of the ways our budget will make that possible.

First, the budget offers HOPE Scholarships -- $1500 tax credits, equal to the average community college tuition, that will make the first two years of college as universal as four years of high school are today.

Second, the budget creates a new Lifetime Learning Credit, targeted at college juniors and seniors, graduate students, and adults who want to enhance their skills. Under this initiative, for example, a homemaker who wants to return to school full-time to become a teacher can get a 20% tax credit on the first $5,000 of her tuition bill. In the year 2003, that credit will get even larger, by applying to up to $10,000 in tuition and fees.

Third, beginning this January, parents and grandparents can withdraw money from their Individual Retirement Accounts -- without any penalty -- to pay for higher education expenses. They can also open up a brand new Education IRA, which will allow them to invest $500 per child every year to build up money, tax-free, for college.

Fourth, our budget provides the largest increase in Pell Grants in two decades, giving at least 350,000 more students the scholarships they deserve.

These new initiatives will greatly expand educational opportunity for American families. But there is another crucial part of the college equation -- and that is responsibility.

As Hillary and I have learned, parents cannot wait to plan for college until their children are in their junior or senior years of high school. Education experts say that it is essential that parents sit down with their children as early as sixth grade to start charting a course toward college. In the crucial middle-school years, parents must encourage their children to take challenging classes. Research shows, for example, that students who take algebra and geometry ~~before high school~~ are much more likely to go on to college than those who do not.
by the end of ninth grade

In the knowledge economy of the 21st century, what our children earn will depend more than ever on what they learn. Almost 90% of the new jobs being created today require more than a high school level of literacy and math skills. And yet more than half of the people entering the workforce are not prepared with these skills. We have much work to do. And throughout the fall, my Administration will do everything in its power to make sure that parents and students learn how to take advantage of the new higher education opportunities they now have.

As a first step, Education Secretary Dick Riley and his staff have prepared an extremely useful guide for parents, called "Getting Ready for College Early." You can get that guide by calling the Department of Education at 1-800-USA-LEARN. That's 1-800-USA-L-E-A-R-N.

Since the day I took office, I have been working on a simple idea: when my child is my age I want this country to be a place where every person who works hard has a chance to live out their God-given abilities and their dreams. With the educational opportunities contained in our historic balanced budget, we have taken a large step toward that goal. Together, we are helping to ensure that our children's precious minds will not go to waste. Thank you for listening.

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE SECRETARY

cc: Lovell
Backup info?
Integrate into 1-page.
Status?

FAX TRANSMITTAL

TO: Bill Kincaid

ORGANIZATION: E

PHONE NUMBER: 456-2857

FAX NUMBER: 456-7028

FROM: Jill Riemer

PHONE NUMBER:

FAX NUMBER: [redacted]

MESSAGE: I sent this to Mike C. and wanted to make sure you had a copy after reading Adrianna's message.

Jill

CONFIDENTIALITY NOTICE

FINANCIAL AID INFORMATION AND INCREASING STUDENT ACCESS TO COLLEGE

In the 21st Century, all students will need to attend at least two years of college to meet the new demands of the job market. Good paying jobs requiring knowledge of the latest technologies will simply not be open to those who do not continue their education beyond high school. Unfortunately, too many low and middle income students, even high performing ones, opt out of the college track at an early age, in part because their parents do not think they can afford college. Financial aid information provided to parents and students at an early age is one way to change their views on whether they can really afford college and encourage them to take the courses they need in middle and high school so they are prepared for college.

The Returns to College are Large and Growing

Current estimates from the Census Department show that, on average, a college graduate will earn $600,000 more over their lifetime than a high school graduate. The gap in earnings between college and high school graduates has been increasing steadily in recent years--more than doubling between 1980 and 1995. This income advantage is not limited to college graduates; a student attending some college but not receiving a Bachelor's Degree still earned significantly more than a high school graduate.

College Enrollments Vary Greatly by Income

America's college attendance rates are the envy of many other societies. More than half of all our high school graduates enter college. And, while that is a higher rate than a generation ago, it is a rate that will have to improve in the future. Moreover, the overall rate of college enrollment masks an important problem--**students from high income families enter college at much higher rates than those from low income families.**

- In 1995, students from families in the top 20 percent of the income distribution were more than twice as likely to immediately enroll in college than were students from families in the bottom 20 percent (83.4 percent vs. 43.2 percent).

These differences persist even when students are matched by performance. As shown in table 1, **capable students from low and middle income families are much more likely to forego college than comparably performing students from high income families.**

Table 1
Proportion of Eighth Graders Foregoing College by Income and Test Scores

Test Scores	Income		
	Low	Middle	High
Low	70.9%	53.4%	36.4%
Middle	50.6	31.9	19.2
High	25.3	13.9	4.8

Note: Income and test scores divided evenly into thirds.
Source: Analysis of data from the National Education Longitudinal Survey (NELS)

Worth noting in table 1 are the following comparisons:

- Among top performing students, students from low income families were five times as likely to forego college as students from high income families and students from middle income families were almost three times as likely to forego college as students from high income families.

- Among students performing in the middle range, students from low income families were more than two and one-half times as likely to forego college as students from high income families and students from middle income families were two-thirds more likely to forego college as students from high income families.

The Importance of Financial Aid Information

The comparisons cited above suggest that financial barriers have an important bearing on the decision to attend college. However, financial barriers often involve complex perceptions about both the affordability of college and the availability of student aid.

- **A substantial number of highly capable low and middle income eighth grade students who were not planning on attending college right after high school indicated that their plans were based on not being able to afford college.**

  -- Among low income, high test score students who said they were not planning on attending college, 57.2 percent cited an inability to afford school as the reason.

  -- Among middle income, high test score students who said they were not planning on attending college, 37.7 percent cited an inability to afford school as the reason.

- Perceptions about the availability of student aid are linked to whether parents feel they can get enough information about such aid. **Unfortunately, many low and middle income parents of top performing student--between one-fifth and one-quarter--said they had difficulty in getting much information on how and where to apply for financial aid.**

As students and family get closer to the college enrollment decision, information about financial aid becomes more critical. Important sources of such information include talking with teachers, counselors, school representatives or knowledgeable adults about financial aid; as well as booklets or publications from the Department of Education, the military, or colleges and universities.

Even among the parents of twelfth grade students who were planning on attending college, many had not spoken to anyone or read anything about financial aid.

- Among parents of twelfth grade students who planned on continuing their education and who tested in the middle third of their class, 40 percent had not talked to anyone knowledgeable about financial aid or read about it in a publication.

Information about financial aid and college going are mutually reinforcing. Among the parents of twelfth grade students who planned to continue their education beyond high school, **parents who obtained financial aid information were more likely to have their children attend college:**

- 79.9 percent of twelfth grade parents whose child planned to continue their education and who read materials about financial aid had their child attend college compared to 55.6 percent of parents who did not read this material.

The above results show that the college-going decision can be positively influenced by the broad availability of financial aid information and steps to encourage parents and students to read such information and discuss it with counselors and college aid officers. However, an important aspect of financial aid for parents and students is its certainty and predictability. Information about student aid must be accompanied by the conviction that it is going to be available. Because student aid is means-tested, we cannot provide that certainty to all families. That is why the President's HOPE Scholarship was such an important step to assure lower and middle income families that money for college is guaranteed for their children and for them.

Pell Language

The balanced budget agreement includes the largest increase in Pell Grant scholarships for deserving students in thirty years. It gives millions of Americans tax cuts to pay for college and hundreds of thousands more students Pell Grant scholarships. In the coming weeks, Congress will have the opportunity to appropriate a $1.7 billion increase for Pell Grants as part of the balanced budget agreement. I expect Congress to honor this agreement by providing this historic increase in funds for our neediest students to go to college.

draft 6:00 pm as of 8/13/97

PRESIDENT'S RADIO ADDRESS
August 16, 1997

* * *

HELPING AMERICA SEND THEIR CHILDREN TO COLLEGE AND PREPARE EARLY

"We must make the thirteenth and fourteenth years of education -- at least two years of college -- just as universal in America by the 21st century as a high school education is today, and we must open the doors to all Americans."

President Clinton
State of the Union Address, February 4, 1997

"What families are realizing more and more is that preparing for college doesn't begin during a student's junior or senior year of high school -- it begins even before a student first sets foot in school, and it continues through middle school and high school. Getting ready for college means planning for your future and making some very important decisions early."

Richard W. Riley
Secretary of Education

President Clinton has recently signed the balanced budget agreement which includes many new tax benefits for adults who want to return to college, parents who have children in school or who are already saving to send their children to college. Access to a higher education is of paramount importance to the Administration because it is good for families and good for economic growth. More than ever, getting student's ready for college early on by taking the proper coursework and securing the financial resources is also a challenge this country will have to be willing to take on. Today, I will be making a new handbook available to American families which will help their children prepare for college early.

<u>BACKGROUND</u>

- In 1996, nine percent of people without a high school diploma were unemployed, while only 4.8 percent with a high school diploma, 4.3 percent of people with some college, and 2.4 percent of people with a college degree were unemployed.

- A person who graduated from college on average will earn $600,000 more than a person with a high school degree. Someone with an associate degree from a two year college earns more than a high school graduate. In 1995, a man with a college degree earned almost 89 percent more than a man with only a high school diploma, and a woman with a college degree earned almost 73 percent more than a woman with only a high school diploma.

<u>SOLUTIONS</u>

The most important thing a student can do to prepare for college is to take the right courses and work hard to pass these courses.

- Many of our students will be going back to school in the coming weeks. This is a good time for our parents, grandparents, guidance counselors, teachers, and principals to focus on what courses our children are taking this Fall. All of us need to make sure our child's course selection this Fall is on track for college down the road.

- Research shows that students who take algebra and geometry (beginning in the end of the eighth and ninth grades) are much more likely to go on to college than students who do not. In a national sample, only 26 percent of low-income students who did not take geometry went to college; but 71 percent of low-income students who took geometry went to college.

One of the best things parents can do to help their child prepare for college is to ensure that their child is taking the right coursework, encourage their child to participate in local mentoring or after school programs and to talk to your child's guidance counselor.

- Community programs like **'Kids to College'** which help 80 7th and 8th graders visit a college campus at the **University of Maryland at College Park with Goddard Middle School series**. They also get to experience a software package called Visions which is a statewide career information delivery system for middle school students to research the career of their choice to determine what credentials an individual must have to be successful in their chosen field.

- **A local Talent Search (remains to be identified) program** helps to build a successful pipeline from middle school to college by helping families become more aware of their options for financing their child's college education. The premise of this program is to identify and encourage an estimated 324,445 students nationwide from low-income populations to go on to college.

- **A collaboration with an entire district at Kettering Middle School**

Finding out about financial aid, admission requirements, scholarships, and various student aid programs is made easier through a variety of these types of college awareness programs that help students and families learn what types of financial resources are available.

There are so many other programs throughout the country, not just locally, that exist for the sole purpose of helping our children prepare for college early. The 1997 budget and tax cuts also provide health insurance for up to 5 million children and includes a provision to encourage computer donations to schools. In addition, my "call to action" to improve American education expands Headstart, sets the goal of making sure every child read well by the end of the 3rd grade, gets computers into classrooms, and increases the maximum Pell grant for college to $3,000. All of these benefits and tax cuts have one broad goal -- to give parents and families the support they need to give their children a first class education and hope for the future.

To receive a copy of the new handbook "How to Prepare Your Child for College Early" please call: 1-800-USA-LEARN.

Lowell A. Weiss
08/14/97 04:32:08 PM

Record Type: Record

To: Jill_riemer @ ed.gov @ inet, William R. Kincaid/OPD/EOP, pauline_abernathy @ ed.gov @ inet

cc:
Subject: draft of radio address

I can add about 75 more words to this. I will try to get in the ACT stuff now. Please give me your comments in the next half hour. I will be staffing this out as soon as I hear back from you. Thank you very much.

Lowell

Draft 8/14 4:30pm

PRESIDENT WILLIAM J. CLINTON
RADIO ADDRESS ON HIGHER-EDUCATION OPPORTUNITIES
AUGUST 15, 1997

Good morning. Today, as families across America are beginning to prepare for the new school year, I'd like to talk about how our students and their parents can seize the new higher education opportunities contained in our historic balanced budget.

The budget I signed into law last week opens the doors to college to a new generation, with the largest investment in higher education since the G.I. Bill 50 years ago. For the first time ever, all children in America who work hard will have the opportunity realize the dream of going to college.

Let me tell you just a few of the ways our budget will make that possible. First, the HOPE Scholarship -- a $1500 tax credit ~~that~~ will make the first two years of college as universal as four years of high school are today.

equal to the average community college tuition

Second, our new Lifetime Learning Credit -- targetted at college juniors and seniors, graduate students, and adults who want to enhance their skills. Under this initiative, for example, a homemaker who wants to return to school full-time to become a teacher can get 20% tax credit on the first $5,000 of her tuition bill. In the year 2003, that credit will get even larger, by applying to up to $10,000 in tuition and fees.

Third, beginning this January, parents and grandparents can withdraw money from their Individual Retirement Accounts -- without any penalty -- to pay for higher education expenses. They can also open up a brand new Education IRA, which will allow them to invest $500 per child every year to build up money, tax-free, for college.

These new initiatives will greatly expand educational opportunity for all Americans. But there is another part of the college equation -- and that is responsibility.

As Hillary and I have learned, parents cannot wait to plan for college until their children are in their junior or senior years of high school. Education experts say that that it is essential that parents sit down with their children as early as sixth grade to start charting a course toward college. In the crucial middle-school years, parents must encourage their children to take challenging classes -- not just to get into college but also to thrive once they get there. Research shows, for example, that students who take algebra and geometry <u>before</u> high school are much more likely to go on to college than those who do not. Yet a recent survey indicates that over 40%

In the knowledge economy of the 21st century, what our children earn will depend more than ever on what they learn. Almost 90% of the new jobs being created today require more than a high school level of literacy and math skills. More than half of the people entering the workforce are not prepared with these skills. We've got a lot of work to do. ?

Education Secretary Dick Riley, who is doing so much to help prepare our children for the challenges of the 21st century, has prepared some extremely useful information on how you can help your children prepare for college and take advantage of the new opportunities I've touched on today. You can get that information by calling the Department of Education at 1-800-USA-LEARN.

Since the day I got here, I have been working on a simple idea -- that when my child is my age I want this country to be a place where every person who works hard has a chance to live out their God-given abilities and their dreams. With the ______ educational opportunities contained in our historic balanced budget, we have taken a large step toward that goal. Together, we are helping to ensure that no child's precious mind will go to waste. Thank you for listening.

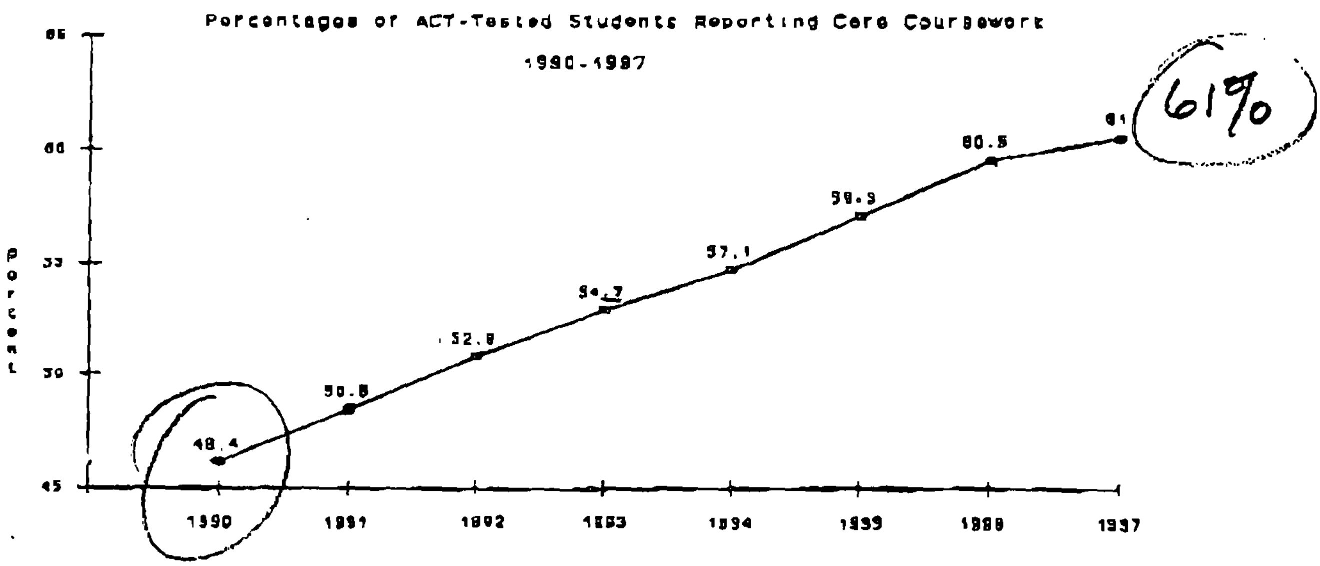
~~Money~~ On average, a college graduate will earn 600,000 more over the course of a lifetime than a h.s. graduate over the course of a lifetime. ~~at some~~

And

Embargoed for August 13

college. Large differences between the scores of those with core preparation and those with less are evident among all racial/ethnic groups and at all socioeconomic levels (See the ACT High School Graduating Class of 1997 National Report).

"Ten years ago, when we began reporting on students' preparation levels," Ferguson said, "the number of fully prepared college-bound students was disturbingly low. The last decade has seen a substantial increase in preparation --just over 23 percent -- but that increase now appears to be slowing."



"As a nation," Ferguson said. "We continue to send too many students off to college with inadequate preparation, one of the leading causes of their dropping out. The percentage

* In 1997, nearly 40% (39%) of our students taking the ACT were not prepared for college

(more)

draft (8/13, Wednesday, 4:40 pm)

EDUCATION ?

A FAMILIES' GUIDE TO THE 1997 TAX CUTS

The balanced budget agreement signed into law in August 1997 includes many new tax benefits for adults who want to return to college, parents who have children in school or who are already saving to send their children to college. This guide highlights some of the significant features of the tax cut including the $500 per child tax credit and the largest investment in higher education since the passage of the G.I. Bill in 1945.

These tax cuts essentially make the first two years of college universally available to all Americans and they will give many more working Americans the financial means to go back to school if they want to choose a new career or upgrade their skills. When fully phased in, 12.9 million students are expected to benefit -- 5.8 million under the HOPE Scholarship tax credit, and 7.1 million claiming the Lifetime Learning Credit.

tie more to education or put at end ?

- **A $500 per child tax credit for 45 million children in America**

This tax credit will benefit approximately 27 million families with 45 million children under the age of 17. Families will be able to deduct $400 per child when they file their 1998 income tax form and $500 thereafter. This child tax credit begins to phase out for couples with incomes above $110,000 and for single filers with incomes over $75,000. Many families may want to save these funds for ~~education~~ college

- **Up to a $1,500 tax credit for students starting college**

The Hope Scholarship tax credit makes the first two years of college universally available. Students will receive a tax credit of 100% on the first $1,000 of tuition and fees and 50% on the second $1,000. This tax credit will be available for college enrollment after January 1,1998. A high school senior going into his or her freshman year of college in September of 1998, for example, will be eligible for the $1,500 tax credit.

A married couple with a joint income of $60,000 and two children in college, one at a community college with a tuition of $2,000 and the other a sophomore at a private college with $11,000 tuition, would have their taxes cut by $3,000.

This credit is phased out for joint filers between $80,000 and $100,000 of income, and for single filers between $40,000 and $50,000. The credit can be claimed in two taxable years for college freshman and sophomores who are enrolled on at least a half-time basis for any portion of the year.

- **Learning for a Lifetime: a tax credit worth at least $1,000**

This tax provision is targeted for college juniors, seniors, graduate and professional students, those changing careers ~~mid-career changers~~ and other adults who want to go back to school. A family will receive a 20% tax credit for the first $5,000 of tuition and fees through the year 2002, and for the first $10,000 thereafter. The credit is available for net tuition and fees (less grant aid) to pay for post-secondary enrollment beginning July 1, 1998. The credit is available on a per-taxpayer (family) basis, and is phased out at the same income levels as the HOPE scholarship tax credit. ?

Returning to school full-time to become a teacher: Homemaker, family income of $70,000, who wants to attend a graduate teacher training program at a public university after being out of college for 20 years ($3,500 tuition). **TAX BENEFIT: $700**

Graduate student: Single graduate student with $15,000 income and tuition of $15,000. **TAX BENEFIT: $1,000**

- **Parents and grandparents can create an Education IRA and Penalty-Free Withdrawals from other IRAs**

Beginning January 1, 1998, taxpayers may withdraw funds from an IRA, without penalty, for the higher education expenses of the taxpayer, a spouse, a child, and even a grandchild. For each child under age 18, families may also deposit $500 per year into an Education IRA. Earnings will accumulate tax-free and no taxes will be due upon withdrawal for net post-secondary expenses for tuition, fees, books, equipment, and eligible room and board.

The Education IRA is phased out for families with incomes between $150,000 and $160,000, and for single filers between $95,000 and $110,000. There are a few restrictions. A taxpayer, for example, who uses the tax-free distributions from an Education IRA may not, in the same year, benefit from the HOPE Scholarship or Lifetime Learning Credit.

- **Expanded benefits for pre-paid tuition plans**

This provision allows State-sponsored pre-paid tuition plans -- the earnings from which are not taxed until the time of withdrawal as a result of last year's tax bill -- to now include room and board expenses for students who attend on at least a half-time basis. Withdrawals are eligible for the HOPE Scholarship tax credit and Lifetime Learning tax credits.

- **Paying back Student Loans at Less Cost**

For many college graduates one of their first financial obligations is to pay off their student loan, on average about $13,500. This provision will essentially allow a borrower to get one "free" monthly payment by allowing students to take a tax deduction for interest paid in the first 60 months of repayment on student loans or training expenses.

A college senior graduates from college and finds a job paying $25,000 a year. The student has a total student debt of $13,500. The new job holder because of his or her income is in the 15% federal income tax bracket. The monthly payment for this student loan is $166. The ~~total~~ payments for the year ~~is~~ total $1,992 and over half of that amount ~~the total payment~~ is interest --$1080 --which can be deducted. The student's tax benefit is calculated at 15% x $1,080 for a savings of $162. In subsequent years the interest portion of the total student debt declines but using this tax provision still remains a money saver.

The maximum deduction is $1,000 in 1998, $1,500 in 1999, $2,000 in 2000, and $2,500 in 2001 and beyond. It is available to joint filers with income between $60,000 and $75,000, and to single filers with incomes between $40,000 and $55,000. The deduction is also available for all loans, ~~such as~~ including student, parent, federal and nonfederal, made before August of 1997 when the tax cuts became law but only to the extent that the loan is within the first 60 months of repayment.

- **Going to School while you work**

This provision will enable many Americans to pursue their goals of lifelong learning while working to pay their bills. The tax bill extends Section 127 of the tax code for undergraduate's education for three years (for courses beginning prior to June 1, 2000). This provision allows workers to exclude $5,250 of employer-provided education benefits from ~~their~~ taxable income.

- **Community Service Loan Forgiveness**

Excludes from taxable income loan amounts forgiven by non-profit, tax-exempt charitable or educational institutions for borrowers who take community-service jobs that address unmet needs.

and

The new tax bill signed by President Clinton includes many other provisions that will help all of the young people in America to grow and learn. The tax package, for example, expands Headstart, increases the maximum Pell grant for college to $3,000, provides health insurance for 5 million children, and includes a provision to encourage computer donations to schools. All of these benefits and tax cuts have one goal: to give parents the support they need to give their children a first class education and hope for the future.

Sincerely,

– Richard W. Riley
U.S. Secretary of Education

For more detailed information on how your children and grandchildren can benefit from the 1997 tax cuts please call: 1-800-LEARN

US 4

For additional information on meeting the costs of college & lifelong learning

Ann Lewis

William R. Kincaid
08/10/97 07:50:28 PM

Record Type: Record

To: Diana_Phillips @ ed.gov @ INET @ LNGTWY, James_Kvaal @ ed.gov, Jill_Riemer @ ed.gov
cc: Pauline_Abernathy @ ed.gov
bcc: Records Management
Subject: More on Getting Ready for College Early

I have been advised that we should continue to prepare under the assumption that this will happen. Based on that, I would appreciate it if you could start putting together the following:
Allison - get text of most recent version from Jill Riemer) convert.
1. A first cut at the contents of a press one-pager, which might open up something like the following: "Today, in his weekly radio address, President Clinton urged students and their families to begin preparing for college early, by taking tough courses and working hard in school. The President said that families should also prepare financially, by saving for the future, by learning about the new Hope Scholarship and other education tax cuts signed into law earlier this month, and by exploring other resources that can help pay for a college education. To help families with their planning, the President released a new guide on Getting Ready for College, as well as a parents' guide to the new tax cuts."

Divided up into appropriate sections, using the above as a rough road-map, the one-pager should probably include:

-- some data/stats on the importance of a college education to future earnings, on college-going rates, on the importance of deciding to attend college in middle school, and on the importance of tough course-taking.

-- some of the data on the differences in college-going based on income, and covering some of the mis-impressions about the costs of college

-- Something on the new tax cuts and how they will help

-- Something on the other resources available, such as Pell grants and student loans.

Let me know if you need some models. Especially because this wouldn't involve any new policy announcements, the one-pager really should be kept to a single page if at all possible.

Go over

2. Keep working with folks to shape up and improve the piece Kevin has drafted on "A Parents Guide to the Education Tax Cuts." Let me know when people there think its in pretty good shape and I will share it around with folks here.

Status?

3. Prepare a few brief (l or 2 paragraph) profiles, no more than 2 or 3 pages total, on some good local programs (either within-school or community-based) designed to help students and families plan for college financially and encouraging tough coursetaking.

4. Begin developing a list of potential attendees at the taping:

Darcy?

-- middle school and high school students

-- their parents
-- possibly teachers
-- possibly a guidance counselor
-- possibly a financial aid advisor from a college or university
-- possibly an admissions officer from a college or university

Probably all should be local, and should represent a diverse mix of folks.

5. Folks should talk to Kim Ross and be thinking about whether it would be good to say the 1-800 number (and WHICH 800 number, USA LEARN or 4 FED AID), and if ED will have the capacity to respond.

Even if all this stuff is not used for the President, it would be prepared and ready to go for a Riley event.

I'll let you know as I learn more.

Thanks.

-- Bill

Diana_Phillips @ ed.gov

Diana_Phillips @ ed.gov
08/08/97 03:27:00 PM

Record Type: Record

To: William R. Kincaid

cc:
Subject: Getting Ready for College Early

Hi Bill, how can we help? What do you need? D.

Cost of Community College?
Issue Brief - 8 states? Accuracy?

080815CN.TXT

Kevin_Sullivan @ ed.gov
08/05/97 07:35:00 PM

BLS = Bureau of Labor Statistics

Record Type: Record

To: Tanya E. Martin, William R. Kincaid

cc:

Subject: Re: Getting Ready for College event

Bill,

You should note that the BLS just put out a report on July 23rd that 65% of all 1996 high school graduates are attending college this fall -- an all high time high. I can send you the press release. Kevin

________________________ Reply Separator ________________________

Subject: Getting Ready for College event
Author: William_R._Kincaid@oa.eop.gov at Internet
Date: 8/5/97 7:15 PM

Message Creation Date was at 5-AUG-1997 19:15:00

A heads-up -- as of today, it looks as if we are on for a POTUS event on Getting Ready for College that would highlight the education tax cuts as well as release of the new ED publication on this topic on Friday, August 15th (previously it was looking like a radio address). This has been discussed over here some as a "higher ed event", but Mike C. and I have talked about trying to have the emphasis on middle school and high school aged kids and parents and getting ready for college both financially AND academically (taking tough courses/high standards, etc.). I know that ED has some data that may be useful to plug in here. I need to get more details on how folks over here are viewing this, but tomorrow some of us should probably talk about options for w here this could be done. Given how many schools and colleges are likely to be closed this time of year, it seems to me that a round-table discussion here at the WH (maybe including financial aid/college admissions types) could be a possiblility.

Stay tuned!

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE SECRETARY

Spanish Language Version

FAX TRANSMITTAL

TO: Bill Kincaid

ORGANIZATION:

PHONE NUMBER:

FAX NUMBER:

FROM: Jill Riemer

PHONE NUMBER:

FAX NUMBER: [redacted]

MESSAGE: Terry & I were talking about whether this could somehow get incorporated into the POTUS' address? This is great news!

Jill

CONFIDENTIALITY NOTICE

[redacted]

La Opinión

The Leading Spanish Language Daily Newspaper

Monica C. Lozano
Associate Publisher
and Executive Editor

August 13, 1997

Mr. Richard W. Riley
Secretary of Education
U.S. Department of Education
Washington, DC 20202-0498

Dear Secretary Riley:

On behalf of *La Opinión*, it is my sincere pleasure to announce our commitment to publish and distribute 200,000 Spanish language copies of "Getting Ready for College Early" in the greater Los Angeles region. In addition, we are pleased to make available for reproduction camera-ready materials of the Spanish language brochure so that other communities may also benefit from this valuable content.

As the nation's largest Spanish language daily newspaper, we are committed to improving the lives of all our citizenry but are especially interested in seeing that greater strides are made among the Latino population. We are confident that our participation in the U.S. Department of Education's initiative and President Clinton's 7-point plan on education will move us towards our common goal.

On a personal note, as a member of the California Citizens Commission on Higher Education and Vice Chair of the local Annenberg Challenge grant (LAAMP), I am well aware of the importance of creating solid programs that link middle school students to universities.

We are certain that this is the beginning of a long-term relationship between our organization and the department and look forward working with you in the critical area of education in the future

Sincerely,

Monica

Monica Lozano
Associate Publisher
and Executive Editor

411 West Fifth Street, Los Angeles, CA 90013
213-896-21[illegible] Fax. 213-896-2151 E-Mail: MCLozano@AOL.COM

Diana_Phillips @ ed.gov
08/08/97 03:27:00 PM

Record Type: Record

To: William R. Kincaid

cc:
Subject: Getting Ready for College Early

Hi Bill, how can we help? What do you need? D.

Julie edits

Tax Cuts to Make College and Lifelong Learning More Affordable;
Helping Students and Families Get Ready for College Early
DRAFT -- August 16, 1997

We must make the thirteenth and fourteenth years of education -- at least two years of college -- just as universal in America by the 21st Century as a high school education is today, and we must open the doors to all Americans.

-- President Bill Clinton
State of the Union Address, February 4, 1997

Today, as students prepare to head back to school, President Clinton encouraged families to take advantage of the new higher education opportunities contained in the historic balanced budget legislation. He also urged students and their parents to accept responsibility for preparing for college early, by choosing tough courses and working hard in school, beginning in students' middle school and junior high school years. To help families map out a bright future, the President released a new handbook on getting ready for college early, and a parents' guide to the new education tax cuts.

WHILE MORE STUDENTS ARE GOING TO COLLEGE, TOO MANY OTHERS MISS THE BENEFITS OF A POSTSECONDARY EDUCATION. In 1996, sixty-five percent of high school graduates were attending college by the following fall, an all-time high. Yet far too many of our young people still lack a college education or advanced training, limiting their ability to prosper in the 21st Century knowledge economy. College graduates are half as likely to be unemployed as high school graduates. Moreover, on average, a college graduate will earn ~~$600,000~~ $588,000 more over the course of a lifetime than a high school graduate -- and this gap is widening. Someone with an associate's degree from a two year college earns more than a high school graduate, as well.

THE NEW TAX CUTS SIGNED BY THE PRESIDENT WILL HELP MAKE COLLEGE MORE AFFORDABLE FOR STUDENTS AND FAMILIES. President Clinton's new Hope Scholarship makes the first two years of college universally available, providing students with a tax credit of up to $1,500 -- about the same as the average tuition at a local community college. Moreover, college juniors and seniors, as well as graduate and professional students, and adults who want to go back to school will be eligible for a Lifetime Learning tax credit worth 20% of the first $5,000 of tuition and fees through the year 2002 (and 20% of the first $10,000 beginning in 2003). The new law also allows parents and grandparents to make penalty-free withdrawals from their IRAs to pay for higher education expenses, and enables them to open new Education IRAs where they can invest $500 per child every year to build up money, tax free, for college. In addition to the tax cuts, the balanced budget agreement also provides the largest Pell Grant increase in two decades, as sought by the President; Congress must fulfill this promise next month.

STUDENTS SHOULD BEGIN PREPARING FOR COLLEGE EARLY BY TAKING TOUGH COURSES IN MIDDLE SCHOOL AND HIGH SCHOOL. Students who take algebra and geometry by the end of eighth and ninth grades are much more likely to go on to college than students who don't; in a national study, only 26 percent of low-income students who did not take geometry went on to college, compared with 71 percent of those who did. Back to School is an ideal time for parents to talk with teachers, principals, and guidance counselors to make sure students sign up for a rigorous classes that will keep them on track for college. A new handbook, "Getting Ready for College Early," will help parents of students in middle school and junior high with choosing courses and other basics of college planning -- like where to find out how much college really costs and what resources are available make college affordable. "Getting Ready for College Early," together with "A ~~Families'~~ Guide to the 1997 Education Tax Cuts," is available free of charge from the U.S. Department of Education by calling 1-800-USA-LEARN.

~~A Family~~ Guide

the supplement